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SUBJECT: Japan Economic Scope for November 18, 2008

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[11.](#) (U) This cable contains the Japan Economic Scope for November 18, 2008.

Environment and Energy

[12.](#) (U) METI, Japan Power Exchange Rolls Out "Green Power" Trading Scheme

The Japan Electric Power Exchange, which operates the wholesale electricity trade, introduced a "Green Power" trading scheme on November 17. Initially, wholesale buyers and sellers will be able to specify the type of electricity generation they want to purchase or sell from non-CO2 emitting sources, including hydropower, wind power, nuclear energy, and solar power. Once emissions-trading begins (currently scheduled for April 2009), electricity generated by thermal power can be "zeroed out" by the purchase of carbon credits. The green energy will reportedly retail at prices 10 percent higher than conventional electricity. Firms that purchase green electricity will be able to claim the energy as carbon-neutral, reducing their overall carbon footprint. The Ministry of Economy, Trade and Industry estimates the electricity generation industry accounts for about 30 percent of Japan's CO2 emissions and expects the green energy exchange to help Japan to meet its CO2 reduction targets and promote the production of alternative energy.

Food and Agriculture

[13.](#) (U) Efficiency Campaign Launch

Despite cuts in the GOJ's overall budget, politicians recently approved an additional 1.7 billion yen (\$17 million) for the Ministry of Agriculture, Forestry, and Fisheries (MAFF) to promote food-related "self-sufficiency strategic Public relations." Using full page advertisements in major newspapers, MAFF launched the "Food Action Nippon" campaign October 6, to the Japanese public to "share their concerns about imports and take specific action to raise self-sufficiency." The program includes a social networking website (<http://www.syokuryo.jp>), which lists celebrity supporters ranging from actors and chefs to Olympic athletes. Companies are encouraged to submit on-line applications to use the Food Action Nippon campaign logo in their own public relations and advertising activities.

[14.](#) (U) U.S. Embassy and MAFF Team Up on Biotech Outreach

AgTokyo gave presentations earlier this month at a roundtable discussion on risk communication and biotechnology held in Kyoto. The event was part of a nationwide series of public outreach events

sponsored by MAFF and the first to include U.S. Embassy representation. About 40 government officials, industry associations, NGOs, and media were present. The event was organized by MAFF's Kinki regional office and the Osaka Prefecture University.

Japan's Foreign Relations

15. (U) Japan-Philippines EPA to Take Effect December 11

The Governments of Japan and the Philippines exchanged notes November 11 on the Japan-Philippines Economic Partnership Agreement (EPA) that will bring the agreement into effect December 11. The EPA includes provisions for trade liberalization and facilitation of investment and business environment, movement of people, and cooperation in a broad range of areas, including human resources development.

The Japan-RP agreement is Japan's ninth EPA, following existing agreements with Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, and a multilateral EPA with ASEAN countries scheduled to take effect December 1.

16. (SBU) JICA To Fund ODA Yen Loans With Bond Issue

The Japan international Cooperation Agency's (JICA) Director of Public Affairs confirmed media reports the agency will issue a 30 billion yen bond before the end of the year and a 50 billion yen bond in the next fiscal year to finance Overseas Development Assistance. The bond issue, reportedly the agency's first-ever,

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will supplement a declining ODA budget. The official denied media speculation that bond financing will increase in the future and increase JICA's independence, explaining the GOJ's official ODA budget is still an important part of the agency's financing and JICA must assess the costs of bond issuances before committing to additional bonds.

Transportation

17. (SBU) Japan's Air Talks: Stalemate With China; Agreement with England

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced civil aviation talks held November 5-7 in Tokyo between Japan and China did not result in an agreement. A web-based industry news source, Travel Vision, states Japan proposed scheduled international flights to cities such as Shanghai and Beijing, which China rejected saying it lacks additional capacity at these cities' airports, in particular at Shanghai's Hongqiao International Airport. China reportedly offered alternative destinations such as Guangzhou. An MLIT official said the agenda for the two days of negotiations covered discussions on the overall bilateral aviation relationship, including daytime operations at Haneda airport, and nighttime operations at both Haneda and Narita airports.

In contrast, civair talks on November 11 and 12 between Japan and the UK generated some progress, according to MLIT. Officials reportedly agreed to allow one daily, nighttime flight for each respective flag carrier to operate between Tokyo's Haneda and London.

MLIT has been pursuing negotiations with various countries to fill slots at Narita and Haneda; both airports are slated for expansion after 2010. Japan aims to create a network to Europe and America during Haneda's nighttime hours. The UK is the second country after France to agree to such flights.

18. (SBU) FedEx Bid Farewell Nagoya's Centrair

FedEx has decided to terminate its struggling Nagoya operation at Centrair and move its central Japan hub to Osaka's Kansai airport, effective March 2009. Haruya Kato, FedEx's Managing Director for

Japan/Guam/Saipan, told Consulate Nagoya's PO on November 10 that the express delivery company's decision stems from insufficient business to sustain its service of six flights per week from Nagoya to Tokyo's Narita. Cost-conscious Nagoya customers have resisted FedEx's marketing overtures, preferring instead to rely on long-established land and sea to transport their goods.

FedEx will give its 25-member Nagoya staff the option to relocate to Osaka, but will retain its sales and collection offices in Centrair beyond next March to allow Nagoya-based customers to continue to use FedEx's more limited services, according to Kato. FedEx plans to announce its official decision sometime next spring, and asked that this information be kept close-hold until then.

On a related note, Centrair reported its first-ever loss since its opening three years ago, amounting to \$3 million during the six-month period of April through September 2008.

SCHIEFFER